

Message Text

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70

ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

L-03 H-03 PA-03 PRS-01 USIA-12 DODE-00 AGR-20 TAR-02

RSR-01 /179 W

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R 171625Z JUL 73

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 1672

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS THE HAGUE 3165

PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, NL

SUBJECT: DUTCH CENTRAL BANK MOVES TO CURB INFLATION

1. DUTCH CENTRAL BANK ANNOUNCED TODAY TWO RELATED MEASURES

AIMED AT REDUCING CURRENT RATE OF INFLATION ESTIMATED AT

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8.5 PERCENT FOR 1974.

2. ANNOUNCED FIRST WAS AGREEMENT BETWEEN CENTRAL BANK AND COMMERCIAL BANKS ON INTRODUCTION OF MINIMUM LIQUIDITY RESERVE RATIO OF 8 PERCENT FOR DOMESTIC SHORT-TERM FUNDS AND 7 PERCENT

FOR LONG-TERM FUNDS DURING PERIOD JULY 19 - AUGUST 25 INCLUSIVE. ANNOUNCEMENT ADDED THAT RATIO FOR SHORT-TERM FUNDS MAY BE GRADUALLY INCREASED IN MONTHLY INCREMENTS TO MAXIMUM OF 14 PERCENT BUT THAT RATIO FOR LONG-TERM FUNDS WILL PROBABLY REMAIN

AT 7 PERCENT.

3. BANK ANNOUNCED ON AFTERNOON JULY 17 THAT CENTRAL BANK DISCOUNT RATE HAS BEEN RAISED FROM 5 TO 6 PERCENT EFFECTIVE JULY 18. THIS IS THIRD INCREASE IN PAST 6 WEEKS AS RATE WAS RAISED TO 4.5 PERCENT ON JUNE 1 AND TO 5 PERCENT ON JUNE 28.

4. WHILE PRIMARY AIM OF DISCOUNT RATE INCREASE IS CLEARLY TO COUNTER INFLATION IT MAY ALSO HAVE SIDE EFFECT OF REDUCING RATE OF DECLINE IN SPECULATIVE SHORT-TERM GUILDER POSITIONS WHICH HAS FORCED CENTRAL BANK TO INTERVENE RATHER HEAVILY IN SUPPORT OF GUILDER IN RECENT WEEKS.
TANGUY

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NNN

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30 JUN 2005

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